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TAGS: [ETRD](#) [ECON](#) [EAID](#) [EINV](#) [KMCA](#) [PINS](#) [RP](#)
SUBJECT: PRESIDENT ARROYO COMMITTED TO FTA; MCC COMPACT

REF: A. MANILA 4615

[B](#). MANILA 5615

Classified By: AMBASSADOR KRISTIE A. KENNEY, REASONS 1.4 (b) (d)

[1](#)1. (C) Summary: President Arroyo expressed to Ambassador a firm commitment to negotiating a free trade agreement with the United States and obtaining a compact with the Millennium Challenge Corporation. Arroyo assigned Secretary of Trade to look into requirements for an FTA and expressed dismay that the Philippines had not met MCC standards for a compact. She said that her government would likely prioritize education with compact funds. Ambassador welcomed her interest in free trade but noted the difficulties involved. End Summary.

Free Trade

[1](#)2. (C) In a private dinner with Ambassador on November 6 (other issues reported reftels), President Gloria Macapagal Arroyo forcefully committed her government to seeking a free trade agreement with the U.S. She called in Secretary of Trade Peter Favila to ask what kind of reaction he had received from the U.S. on his overtures, stating that the Philippines "needs preferential access to the U.S." Favila said that USTR had not been enthusiastic about negotiating with the Philippines. President Arroyo noted the importance of Free Trade for the Philippines. Ambassador pointed out the timing problems and highlighted the complexities of negotiating an FTA.

Investment Incentives

[1](#)3. (SBU) Ambassador raised the importance of restoring the certainty of investment incentives for foreign firms which have invested on the former Clark Airbase. Arroyo responded that two pieces of legislation accomplishing this are among her top priorities in Congress for the coming weeks. (This prioritization has also been stated publicly.) She said she expected them to pass, resolving the problem.

Millennium Challenge Corporation

[1](#)4. (C) Arroyo then turned her attention to the Millennium Challenge Corporation. She noted that on the recently released 2007 Country Scorecard the Philippines had missed eligibility by miniscule amounts on several criteria, exclaiming, "the differences look like no more than typos!" She asked whether she needed to meet with someone at the MCC in Washington to discuss obtaining a compact. The Ambassador responded that the Philippine Ambassador and economic team might usefully engage with the MCC in Washington. Arroyo said she is committed to getting a compact program for the Philippines, and said she would like to focus the program on

education.

Comment: Tight Focus, Strong Commitment

15. (C) This meeting was Arroyo at her best, demonstrating a strong ability to focus on and understand key issues, decisiveness, and commitment. While the time is not right for FTA negotiations with the GRP, we should use Arroyo's commitment to push the Philippines to prepare for free trade and to be more helpful in the WTO and on other related issues, such as intellectual property rights. Her interest in moving from the current Threshold Program to Compact status is also laudable and can be used to leverage progress in those areas of the criteria in which the Philippines lags.
KENNEY